

CITY OF CELINA, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2010

**City of Celina, Texas
Annual Financial Report
Year Ended September 30, 2010**

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FINANCIAL SECTION

SCOTT, SINGLETON, FINCHER AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4815-A KING STREET
TELEPHONE 903-455-4765
FAX 903-455-5312
GREENVILLE, TEXAS 75401

Kelley D. Fincher, CPA
Tommy L. Nelson, CPA

Members of:
American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

Independent Auditor's Report

To the City Council
City of Celina, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Celina, Texas, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Celina, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 18 and pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Celina, Texas' financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Scott, Singleton, Fincher and Company, PC

Scott, Singleton, Fincher and Company, PC
Certified Public Accountants

March 2, 2011

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

As management for the City of Celina, we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. This discussion should be read in conjunction with the financial statements and related notes. Comparative data is presented for government-wide and fund financial statements at the end of this section.

FINANCIAL HIGHLIGHTS:

- Government-wide net assets reported in the Statement of Net Assets are \$15,901,319. Of this amount \$15,079,225 is invested in capital assets or restricted for debt service, and the balance of \$822,094 is in unrestricted net assets.
- Government-wide net assets decreased by \$91,905 during 2010.
- Each of the City's fund financial statements reported changes in equity as follows:
 - General Fund – \$89,673 increase
 - Water & Sewer Fund - \$381,490 decrease
 - Debt Service Fund - \$135,338 increase

USING THIS ANNUAL REPORT:

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests and the appropriations from the State. Proprietary fund statements offer short and long –term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Statement of Net Assets and the Statement of Activities

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Assets includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and the changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activities:

Governmental Activities – Most of the City's services are reported here, including, administration, judicial, fire and emergency services, public works, police, parks and recreation, infrastructure and the main street project. Property taxes and state and federal grants finance most of these activities.

Business-type Activities – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system operations and sanitation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules found at the bottom of each of the governmental fund financial statements.

Proprietary Funds – The Proprietary/Enterprise fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Net assets serve as one useful indicator of a government's financial position. In the case of the City, the combined net assets exceeded liabilities by \$15,901,319 and \$15,993,224 at the close of FY 2010 and FY 2009, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:

The combined net assets of the City's activities decreased from \$15,993,224 to \$15,901,319 or \$91,905 during 2010. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$822,094.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS:

As the City completed the year, its governmental funds \$1,458,391 and proprietary fund \$6,054,654 reported combined fund balance and net assets of \$7,513,045 a \$156,479 decrease from last year.

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital Assets – the City's investment in capital assets reported in governmental activities and business-type activities was \$15,423,758 and \$14,244,534. This investment in capital assets includes land, buildings and improvements, equipment and vehicles. The change in the City's net investment in capital assets for the current fiscal year was (\$161,340) and (\$251,402) in each of the respective activities. Additional information on capital asset activity can be found in note 5 to the financial statements.

Long-term Debt – at year-end the City had \$17,259,052 in bonds and capital leases outstanding – a decrease of \$3,206,664. Additional information on long-term liabilities can be found in note 6 to the financial statements.

BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:

The housing market throughout the country continues to experience significant slowdown, although some segments of the economy are showing signs of improvement. States, counties, and cities are generally following this national trend. Under these circumstances, The City of Celina continued to enjoy constant but moderate growth in fiscal year 2009-2010. The City has issued 51 building permits for the fiscal year 2010. In comparison with 20 permits issued last fiscal year, the number of building permits increased by 155 percentage points. Accordingly, permit fee collections have increased by \$77,649 or 82 percentage points for the same period. For the fiscal year 2009-2010, the City collected \$172,173 in permit fees compared with \$94,524 for the same period last year. This increase can be contributed to the improvement in housing construction for the region as well as the state.

The City of Celina's sales tax collection increased from \$249,661 in FY 2008-2009 to \$271,670 in FY 2010 (figures do not include CEDC or CCDC collections). The City is experiencing a small increase in sales in FY 2010 due to the increase of fuel cost that has forced the population to travel less and shop more, closer to their homes. Opening of a few new retail shops have played a role in the increase of sales tax revenue as well.

Total assessed value of the properties for the City of Celina decreased from \$463,300,493 in FY 2009 to \$453,846,095 in FY 2010 . This decrease represents a first decrease in property value for Celina for nearly a decade. Two (2) percentage points decrease in property value is much smaller than average decrease of property values in the other parts of country. Reviewing the history of the City's assessed property values provides evidence of the City's measurable growth.

Years	Assessed Value	% Change
2002	87,908,272.00	
2003	114,041,371.00	30%
2004	143,297,951.00	26%
2005	183,200,000.00	28%
2006	224,412,066.00	23%
2007	284,847,298.00	27%
2008	418,824,688.00	47%
2009	463,330,201.00	9%
2010	453,846,095.00	-2%

Total water sales increased from \$1,602,364 in FY 2009 to \$1,944,348 in FY 2010.

The increase of \$341,984 or 21 percentage points is the result of the rate increase that was implemented in the month of April 2010. However, a review of the history of the City's water sales over past few years indicates a healthy average increase of 19 percentage points in water sales. History of water sales is illustrated below:

Years	Water Sales	% Change
2002	502,048.00	
2003	707,367.00	41%
2004	818,403.00	16%
2005	1,157,066.00	41%
2006	1,871,163.00	62%
2007	1,298,932.00	(30%)
2008	1,598,567.00	23%
2009	1,602,364.00	0.24%
2010	1,944,348.00	21%

Total sewer sales increased from \$572,299 in FY 2009 to \$774,022 in FY 2010.

The increase of \$201,723 or 35 percentage points is the result of the rate increase that was implemented in the month of April 2010. However, a review of the history of the City's sewer sales over past few years indicates a healthy average increase of 13 percentage points in sewer sales. History of sewer sales is illustrated below:

Years	Sewer Sales	% Change
2002	268,979.00	
2003	309,581.00	15%
2004	341,976.00	10%
2005	403,498.00	18%
2006	509,798.00	26%
2007	485,948.00	(5%)
2008	546,556.00	13%
2009	572,299.00	4.7%
2010	774,022.00	35%

CONTACTING THE CITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please do not hesitate to contact Jason Gray, City Manager, or Jay Toutounchian, Director of Finance, by phone at (972) 382-2682 or by E-mail at jgray@celina-tx.gov or jtoutounchian@celina-tx.gov .

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2008</u>
ASSETS						
Current and other assets	\$ 2,444,572	\$ 2,518,310	\$ 2,282,699	\$ 5,380,528	\$ 4,727,271	\$ 7,898,838
Capital assets, net	<u>15,423,758</u>	<u>15,585,098</u>	<u>14,244,534</u>	<u>14,495,936</u>	<u>29,668,292</u>	<u>30,081,034</u>
Total Assets	<u>17,868,330</u>	<u>18,103,408</u>	<u>16,527,233</u>	<u>19,876,464</u>	<u>34,395,563</u>	<u>37,979,872</u>
LIABILITIES						
Other liabilities	763,641	1,099,473	471,551	421,459	1,235,192	1,520,932
Long-term debt	<u>7,258,024</u>	<u>7,446,855</u>	<u>10,001,028</u>	<u>13,018,861</u>	<u>17,259,052</u>	<u>20,465,716</u>
Total Liabilities	<u>8,021,665</u>	<u>8,546,328</u>	<u>10,472,579</u>	<u>13,440,320</u>	<u>18,494,244</u>	<u>21,986,648</u>
NET ASSETS						
Invested in capital assets, net of related debt	8,165,734	8,138,243	6,289,011	5,868,123	14,454,745	14,006,366
Restricted for debt service	624,480	489,022	-	-	624,480	489,022
Unrestricted	<u>1,056,451</u>	<u>929,815</u>	<u>(234,357)</u>	<u>568,021</u>	<u>822,094</u>	<u>1,497,836</u>
Total Net Assets	<u>\$ 9,846,665</u>	<u>\$ 9,557,080</u>	<u>\$ 6,054,654</u>	<u>\$ 6,436,144</u>	<u>\$ 15,901,319</u>	<u>\$ 15,993,224</u>

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 566,637	\$ 496,882	\$ 3,360,517	\$ 3,186,377	\$ 3,927,154	\$ 3,683,259
Operating grants/contributions	283,849	388,525			283,849	388,525
Capital grants/contributions	144,460			350,000	144,460	350,000
General revenues:						
Ad valorem taxes	3,015,298	3,015,151			3,015,298	3,015,151
Sales taxes	271,670	249,661			271,670	249,661
Franchise Taxes	253,500	222,257			253,500	222,257
Other	225,174	109,022	8,144	50,849	233,318	159,871
Total revenues	<u>4,760,588</u>	<u>4,481,498</u>	<u>3,368,661</u>	<u>3,587,226</u>	<u>8,129,249</u>	<u>8,068,724</u>
Expenses:						
Administration	896,155	967,929			896,155	967,929
Judicial	70,102	73,299			70,102	73,299
Fire and emergency services	1,068,864	1,159,151			1,068,864	1,159,151
Development services	329,794	381,151			329,794	381,151
Public works	397,095	395,801			397,095	395,801
Police department	892,283	817,360			892,283	817,360
Parks and recreation	406,446	423,260			406,446	423,260
Library	129,637				129,637	-
Infrastructure	208,373	208,374			208,373	208,374
Main street project	60,868	47,976			60,868	47,976
Interest and fiscal charges	336,386	353,236			336,386	353,236
Water, Sewer and Sanitation Services			3,425,151	3,168,584	3,425,151	3,168,584
Total Expenses	<u>4,796,003</u>	<u>4,827,537</u>	<u>3,425,151</u>	<u>3,168,584</u>	<u>8,221,154</u>	<u>7,996,121</u>
Excess (deficiency) before transfers	(35,415)	(346,039)	(56,490)	418,642	(91,905)	72,603
Transfers	<u>325,000</u>	<u>300,000</u>	<u>(325,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	289,585	(46,039)	(381,490)	118,642	(91,905)	72,603
Net assets - October 1	<u>9,557,080</u>	<u>9,603,119</u>	<u>6,436,144</u>	<u>6,317,502</u>	<u>15,993,224</u>	<u>15,920,621</u>
Net assets - September 30	<u>\$ 9,846,665</u>	<u>\$ 9,557,080</u>	<u>\$ 6,054,654</u>	<u>\$ 6,436,144</u>	<u>\$ 15,901,319</u>	<u>\$ 15,993,224</u>

CITY OF CELINA, TEXAS
COMPARATIVE BALANCE SHEETS
GOVERNMENTAL FUNDS
September 30, 2010 and 2009

			Total	
	General	Debt Service	Governmental Funds	
			2010	2009
<u>ASSETS</u>				
Cash and cash equivalents	\$ 850,490	\$ 614,029	\$ 1,464,519	\$ 1,934,240
Investment in Texpool	2,367		2,367	2,363
Sales taxes receivable	50,468		50,468	42,102
Property taxes receivable, net	54,868	10,451	65,319	65,528
Settlement receivable				
EMS receivable	203,457		203,457	161,913
Other receivables	21,904		21,904	23,639
Due from other funds	400,000		400,000	
Due from component units	25,533		25,533	42,814
Prepaid expenses				
Total Assets	\$ 1,609,087	\$ 624,480	\$ 2,233,567	\$ 2,272,599
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	87,589		87,589	146,731
Accrued salaries and benefits	38,394		38,394	29,599
Other accrued liabilities	42,546	153	42,699	96,445
Due to other funds		20,278	20,278	20,278
Due to component units			-	65,352
Deferred revenue	575,765	10,451	586,216	680,814
Total Liabilities	744,294	30,882	775,176	1,039,219
<u>FUND BALANCES</u>				
Reserved for:				
Prepaid expenses				
Debt service		593,598	593,598	458,260
Unreserved, reported in:				
General fund	864,793		864,793	775,120
Total Fund Balances	864,793	593,598	1,458,391	1,233,380
Total Liabilities and Fund Balances	\$ 1,609,087	\$ 624,480	\$ 2,233,567	\$ 2,272,599

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended September 30, 2010 and 2009

	General Fund	Debt Service Fund	Total Governmental Funds 2010	2009
REVENUES:				
Ad valorem taxes	\$ 2,466,194	\$ 549,313	\$ 3,015,507	\$ 3,042,225
Franchise taxes	253,500		253,500	222,257
Sales tax	271,670		271,670	249,661
Permits and inspection fees	172,173		172,173	94,524
EDC contributions		165,000	165,000	
Development fees	45,894		45,894	12,533
Fire department and EMS fees	180,203		180,203	224,373
Fines	93,867		93,867	109,891
Other income	40,999		40,999	75,563
Collin County road contribution	144,460		144,460	
Donations	134,565		134,565	150,211
Interest	14,471	4,704	19,175	33,459
Park fees	24,786		24,786	18,135
Federal and state grants	149,284		149,284	238,314
Total Revenues	3,992,066	719,017	4,711,083	4,471,146
EXPENDITURES:				
Administration	880,101		880,101	956,157
Judicial	70,102		70,102	73,299
Fire and emergency services	1,049,716		1,049,716	1,060,228
Development services	329,794		329,794	381,151
Public works	392,527		392,527	392,020
Police department	865,304		865,304	780,835
Parks and recreation	222,959		222,959	235,149
Library	129,637		129,637	-
Main street project	60,868		60,868	47,976
Capital outlay	474,465		474,465	213,594
Debt Service:				
Principal retirement		251,798	251,798	372,216
Interest and fiscal charges		331,881	331,881	348,759
Total Expenditures	4,475,473	583,679	5,059,152	4,861,384
Excess (Deficiency) of Revenues Over Expenditures	(483,407)	135,338	(348,069)	(390,238)
OTHER FINANCING SOURCES (USES):				
Issuance of capital leases	174,797		174,797	
Proceeds from sale of capital assets	73,283		73,283	2,801
Operating transfers in (out)	325,000		325,000	300,000
Net Other Financing Sources (Uses)	573,080	-	573,080	302,801
Net change in fund balances	89,673	135,338	225,011	(87,437)
Fund balance, October 1	775,120	458,260	1,233,380	1,320,817
Fund balance, September 30	\$ 864,793	\$ 593,598	\$ 1,458,391	\$ 1,233,380

CITY OF CELINA, TEXAS
COMPARATIVE STATEMENTS OF FUND NET ASSETS
PROPRIETARY FUND
September 30, 2010 and 2009

	2010	2009
	Enterprise Fund	Enterprise Fund
	Water & Sewer	Water & Sewer
	Activities	Activities
ASSETS		
Cash and cash equivalents	\$ (204,279)	\$ 334,527
Investment in TexPool	3,162	3,156
Investment in TexPool, restricted for capital projects	2,045,505	4,391,048
Accounts receivable, net	458,243	266,549
Due from other funds	20,278	20,278
Total current assets	2,322,909	5,015,558
Capital Assets:		
Land	154,115	154,115
Buildings	43,769	43,769
Water & sewer infrastructure	18,353,581	18,071,920
Vehicles	116,689	116,689
Equipment	324,268	324,268
Less accumulated depreciation	(4,747,888)	(4,214,825)
Capital Assets, net	14,244,534	14,495,936
Total assets	\$ 16,927,233	\$ 19,896,742
LIABILITIES		
Accounts payable	169,282	174,394
Accrued salaries and benefits	25,950	18,735
Bonds payable - current	652,408	618,200
Infrastructure advance from CISD - current	91,198	58,360
Accrued interest payable	29,456	30,595
Meter deposits payable	125,563	113,753
Deferred revenue	121,300	104,260
Due to other funds	400,000	-
Total current liabilities	1,615,157	1,118,297
Infrastructure advance from CISD - long-term	910,427	1,022,896
Bonds payable - long-term	8,346,995	11,319,405
Total non-current liabilities	9,257,422	12,342,301
Total liabilities	10,872,579	13,460,598
NET ASSETS		
Invested in capital assets, net of related debt	6,289,011	5,868,123
Restricted for capital projects, net of related debt	-	-
(\$2,045,505 each, 2010) (\$4,391,048 each, 2009)	-	-
Unrestricted	(234,357)	568,021
Total Net Assets	\$ 6,054,654	\$ 6,436,144

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Water sales	\$ 1,944,348	\$ 1,602,364
Sewer sales	774,022	572,299
Garbage fees	310,997	251,982
Penalties	55,372	48,519
Tap and reconnect fees	78,931	34,675
Impact fees	127,007	634,483
Other revenues	69,840	42,055
Total Operating Revenues	<u>3,360,517</u>	<u>3,186,377</u>
OPERATING EXPENSES:		
Salaries and benefits	335,575	293,866
Garbage fees	297,545	232,632
Licenses and permits	6,452	3,531
Materials and supplies	111,855	62,976
Engineering	31,745	13,324
Postage	19,022	19,098
Repairs and facility maintenance	112,768	87,153
General insurance	15,588	14,578
Vehicle expense	19,863	10,964
Utilities and telephone	256,066	269,087
Chemicals	17,652	15,067
Water purchases and related fees	1,063,361	1,037,804
Capital outlay	5,256	6,802
Bad debt provision	3,523	34,404
Depreciation & amortization	533,064	523,028
Other expense	29,202	17,248
Total Operating Expenses	<u>2,858,537</u>	<u>2,641,562</u>
Operating Income	<u>\$ 501,980</u>	<u>\$ 544,815</u>

(Continued)

CITY OF CELINA, TEXAS
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	\$ 8,144	\$ 50,849
Interest and fiscal charges	<u>(566,614)</u>	<u>(527,022)</u>
Total Nonoperating Revenues (Expenses)	<u>(558,470)</u>	<u>(476,173)</u>
 Income (loss) before contributions and transfers	 (56,490)	 68,642
 Capital grants	 -	 350,000
Transfers out to other funds	<u>(325,000)</u>	<u>(300,000)</u>
 Change in net assets	 (381,490)	 118,642
 Total net assets, October 1	 <u>6,436,144</u>	 <u>6,317,502</u>
 Total net assets, September 30	 <u><u>\$ 6,054,654</u></u>	 <u><u>\$ 6,436,144</u></u>

BASIC FINANCIAL STATEMENTS

CITY OF CELINA, TEXAS
STATEMENT OF NET ASSETS
September 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 850,490	\$ (204,279)	\$ 646,211	\$ 290,627
Investment in Texpool	2,367	3,162	5,529	
Investment in Texpool restricted for capital projects		2,045,505	2,045,505	
Bank certificates of deposit				68,450
Property taxes receivable, net	54,868		54,868	
Sales taxes receivable	50,468		50,468	50,468
Fines receivable, net	7,407		7,407	
Accounts receivable, net	203,457	458,243	661,700	
Other receivables	21,904		21,904	
Due from component units	25,533		25,533	
Internal balances	379,722	(379,722)	-	
Bond issuance costs	223,876	359,790	583,666	
Restricted assets:				
Cash and cash equivalents	614,029		614,029	
Property taxes receivable, net	10,451		10,451	
Capital assets (Note 5):				
Land	459,931	154,114	614,045	
Construction in progress	144,460	887,045	1,031,505	
Capital assets, net	14,819,367	13,203,375	28,022,742	
Total Assets	17,868,330	16,527,233	34,395,563	409,545
LIABILITIES				
Accounts payable	87,589	169,282	256,871	
Accrued salaries and benefits	132,787	25,950	158,737	
Other accrued expenses	42,699		42,699	
Deferred revenue	333,299	121,300	454,599	
Meter deposits payable		125,563	125,563	
Deferred bond credits	141,019		141,019	
Due to primary government				25,533
Payable from restricted assets:				
Accrued interest	26,248	29,456	55,704	
Long-term liabilities:				
Due within one year:				
Bonds payable	257,592	652,408	910,000	
Capital leases	106,352		106,352	
Infrastructure advance from CIRD		91,198	91,198	
Due in more than one year:				
Bonds payable	6,738,011	8,346,995	15,085,006	
Capital leases	156,069		156,069	
Infrastructure advance from CIRD		910,427	910,427	
Total Liabilities	8,021,665	10,472,579	18,494,244	25,533
NET ASSETS				
Invested in capital assets, net of related debt	8,165,734	6,289,011	14,454,745	
Restricted for debt service	624,480		624,480	
Restricted for capital projects (\$2,045,505) net of related debt (\$2,045,505)				
Unrestricted	1,056,451	(234,357)	822,094	384,012
Total Net Assets	\$ 9,846,665	\$ 6,054,654	\$ 15,901,319	\$ 384,012

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government	
Governmental activities:							
Administration	\$ 896,155	\$ -	\$ -	\$ (896,155)	\$	\$ (896,155)	\$ -
Judicial	70,102			(70,102)		(70,102)	
Fire and emergency services	1,068,864	161,491		(677,456)		(677,456)	
Development services	329,794	45,894		(283,900)		(283,900)	
Public works	397,095			(224,922)		(224,922)	
Police department	892,283	55,689		(742,727)		(742,727)	
Parks and recreation	406,446			(381,660)		(381,660)	
Library	129,637	33,254		(96,383)		(96,383)	
Infrastructure	208,373		144,460	(63,913)		(63,913)	
Main street project	60,868	33,415		(27,453)		(27,453)	
Economic development				-			(101,870)
Interest and fiscal charges				(336,386)		(336,386)	
Total governmental activities	4,796,003	283,849	144,460	(3,801,057)		(3,801,057)	(101,870)
Business-type activities:							
Water and sewer services	3,360,517				(64,634)	(64,634)	
Total business-type activities	3,360,517	3,425,151	-	-	(64,634)	(64,634)	
Total all activities	\$ 8,156,520	\$ 3,991,788	\$ 144,460	\$ (3,801,057)	\$ (64,634)	\$ (3,865,691)	\$ (101,870)
General revenues:							
Ad valorem taxes				3,015,298		3,015,298	
Sales taxes				271,670		271,670	271,670
Franchise taxes				253,500		253,500	
Miscellaneous income and contributions				40,999		40,999	
Unrestricted investment earnings				19,175	8,144	27,319	1,852
Intergovernmental transfers				165,000		165,000	(165,000)
Transfers				325,000	(325,000)	-	
Total general revenues and transfers				4,090,642	(316,856)	3,773,786	108,522
Change in net assets				289,585	(381,490)	(91,905)	6,652
Net assets-beginning of year				9,557,080	6,436,144	15,993,224	377,360
Net assets-end of year				\$ 9,846,665	\$ 6,054,654	\$ 15,901,319	\$ 384,012

The accompanying notes are an integral part of these financial statements

**CITY OF CELINA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010**

	General	Debt Service	Total Governmental Funds
<u>ASSETS</u>			
Pooled cash and cash equivalents	\$ 850,490	\$ 614,029	\$ 1,464,519
Investment in Texpool	2,367		2,367
Sales taxes receivable	50,468		50,468
Property taxes receivable, net	54,868	10,451	65,319
EMS receivable, net	203,457		203,457
Other receivables	21,904		21,904
Due from other funds	400,000		400,000
Due from component units	25,533		25,533
Total Assets	<u>\$ 1,609,087</u>	<u>\$ 624,480</u>	<u>\$ 2,233,567</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	87,589		87,589
Accrued salaries and benefits	38,394		38,394
Other accrued liabilities	42,546	153	42,699
Due to other funds		20,278	20,278
Due to component units			-
Deferred revenue	575,765	10,451	586,216
Total Liabilities	<u>744,294</u>	<u>30,882</u>	<u>775,176</u>
<u>FUND BALANCES</u>			
Restricted for:			
Debt Service		593,598	593,598
Unreserved, reported in:			
General fund	864,793		864,793
Total Fund Balances	<u>864,793</u>	<u>593,598</u>	<u>1,458,391</u>
Total Liabilities and Fund Balances	<u>\$ 1,609,087</u>	<u>\$ 624,480</u>	<u>\$ 2,233,567</u>

Governmental fund balances as presented above: **1,458,391**

Amounts presented for governmental activities in the statement of net assets are different because:

Capital assets reported in the statement of net assets are not financial resources and are not reported in the fund balance sheet. 15,423,758

Other long-term assets (receivables) are not available to pay current-period expenditures and, therefore, are deferred in the funds. These include deferred property taxes of \$65,319, EMS and fines receivable of \$187,598, and \$7,407 and prepaid bond issuance cost \$223,876. 484,200

Interest due on long-term debt is recorded as accrued interest payable in the statement of net assets but do not become a liability on the fund statements until the date due. (26,248)

Long-term liabilities are reported in the statement of net assets but they are not due and payable in the current period and therefore are not reported as liabilities in the fund balance sheet. (7,493,436)

\$ 9,846,665

CITY OF CELINA, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2010

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES:			
Ad valorem taxes	\$ 2,466,194	\$ 549,313	\$ 3,015,507
Franchise taxes	253,500		253,500
Sales tax	271,670		271,670
Permits and inspection fees	172,173		172,173
EDC contributions		165,000	165,000
Development fees	45,894		45,894
Fire department and EMS revenues	180,203		180,203
Fines	93,867		93,867
Other income	40,999		40,999
Collin County road contribution	144,460		144,460
Donations	134,565		134,565
Interest	14,471	4,704	19,175
Park fees	24,786		24,786
Federal and state grants	149,284		149,284
Total Revenues	3,992,066	719,017	4,711,083
EXPENDITURES:			
Current:			
Administration	880,101		880,101
Judicial	70,102		70,102
Fire and emergency services	1,049,716		1,049,716
Development services	329,794		329,794
Public works	392,527		392,527
Police department	865,304		865,304
Parks and recreation	222,959		222,959
Library	129,637		129,637
Main street project	60,868		60,868
Capital Outlay	474,465		474,465
Debt Service:			
Principal		251,798	251,798
Interest and fiscal charges		331,881	331,881
Total Expenditures	4,475,473	583,679	5,059,152
Excess (Deficiency) of Revenues Over Expenditures	(483,407)	135,338	(348,069)
OTHER FINANCING SOURCES (USES):			
Issuance of capital leases	174,797		174,797
Proceeds from sale of assets	73,283		73,283
Operating transfers in (out)	325,000		325,000
Net Other Financing Sources (Uses)	573,080	-	573,080
Net change in fund balances	89,673	135,338	225,011
Fund balance, October 1	775,120	458,260	1,233,380
Fund balance, September 30	\$ 864,793	\$ 593,598	\$ 1,458,391

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2010

Net change in fund balances - total governmental funds	\$ 225,011
 Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$(565,805) exceeded capital outlay of \$476,858.	(88,947)
In the statement of activities, the gain on the disposal of assets is reported, but in the governmental funds, proceeds from the sale increase current financial resources. The change in net assets differs from the change in fund balance by the net book value of the assets disposed.	(72,393)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt retired for the year \$363,628 less issuance of capital leases (\$174,797)	188,831
Changes in the liability for compensated absences do not require the use of current resources and therefore are not recorded in the funds.	(7,917)
Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable deferred ad valorem taxes of \$(209) court fines receivable, and EMS receivables \$49,714.	49,505
Some expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the amortization of bond issuance costs \$(14,428); the amortization of bond premiums, \$8,902; and the decrease in accrued interest on debt of \$1,021.	(4,505)
Change in net assets of governmental activities	<u>\$ 289,585</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
September 30, 2010

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ (204,279)
Investment in TexPool	3,162
Investment in TexPool restricted for capital projects	2,045,505
Accounts receivable, net	458,243
Due from other funds	20,278
Total current assets	<u>2,322,909</u>
Capital Assets:	
Land	154,115
Buildings	43,769
Water & sewer infrastructure	18,353,581
Vehicles	116,689
Equipment	324,268
Less accumulated depreciation	(4,747,888)
Capital Assets, net	<u>14,244,534</u>
Bond issuance costs	359,790
Total assets	<u>\$ 16,927,233</u>
LIABILITIES	
Accounts payable	169,282
Accrued salaries and benefits	25,950
Bonds payable - current	652,408
Infrastructure advance from CISD - current	91,198
Accrued interest payable	29,456
Meter deposits payable	125,563
Deferred revenue	121,300
Due to other funds	400,000
Total current liabilities	<u>1,615,157</u>
Infrastructure advance from CISD - long-term	910,427
Bonds payable - long-term	8,346,995
Total non-current liabilities	<u>9,257,422</u>
Total liabilities	<u>10,872,579</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,289,011
Restricted for capital projects (\$2,045,505), net of related debt (\$2,045,505)	-
Unrestricted	(234,357)
Total Net Assets	<u>\$ 6,054,654</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended September 30, 2010

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
OPERATING REVENUES:	
Water sales	\$ 1,944,348
Sewer sales	774,022
Garbage fees	310,997
Penalties	55,372
Tap and reconnect fees	78,931
Impact fees	127,007
Other revenues	69,840
Total Operating Revenues	<u>3,360,517</u>
OPERATING EXPENSES:	
Salaries and benefits	335,575
Garbage fees	297,545
Licenses and permits	6,452
Materials and supplies	111,855
Engineering	31,745
Postage	19,022
Repairs and facility maintenance	112,768
General insurance	15,588
Vehicle expense	19,863
Utilities and telephone	256,066
Chemicals	17,652
Water purchases and related fees	1,063,361
Capital outlay	5,256
Bad debt provision	3,523
Depreciation & amortization	533,064
Other expense	29,202
Total Operating Expenses	<u>2,858,537</u>
Operating Income	<u>\$ 501,980</u>

(Continued)

CITY OF CELINA, TEXAS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended September 30, 2010

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
NONOPERATING REVENUES (EXPENSES):	
Interest income	\$ 8,144
Interest and fiscal charges	(566,614)
Total Nonoperating Revenues (Expenses)	<u>(558,470)</u>
Income (loss) before contributions and transfers	(56,490)
Operating Transfers in (out)	<u>(325,000)</u>
Change in net assets	(381,490)
Total net assets, October 1	<u>6,436,144</u>
Total net assets, September 30	<u><u>\$ 6,054,654</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2010

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Cash flows from operating activities:	
Cash received from customers and users	\$ 3,182,340
Cash paid to suppliers	(1,991,487)
Cash paid to employees	(328,360)
Net cash provided (used) by operating activities	<u>862,493</u>
Cash flows from noncapital financing activities:	
Change in customer deposits	11,810
Operating transfers (to) from other funds	(325,000)
Advances (to) from other funds	400,000
Net cash provided (used) for noncapital financing activities	<u>86,810</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(281,661)
Principal payments - bonds payable	(2,938,202)
Principal payments - other obligations	(79,631)
Interest paid on bonds payable and other long-term obligations	(542,296)
Net cash provided (used) by capital and related financing activities	<u>(3,841,790)</u>
Cash flows from investing activities:	
Net redemptions (purchases) of investments	2,345,537
Investment income	8,144
Net cash provided (used) by investing activities	<u>2,353,681</u>
Net increase (decrease) in cash and cash equivalents	(538,806)
Cash and cash equivalents, October 1	<u>334,527</u>
Cash and cash equivalents, September 30	<u>\$ (204,279)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF CELINA, TEXAS
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2010

Reconciliation of Net Income to Net Cash Provided (Used)
by Operating Activities

	<u>Enterprise Fund</u> <u>Water & Sewer</u> <u>Activities</u>
Operating income (loss)	\$ 501,980
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	533,064
(Increase) decrease in accounts receivable (net)	(191,694)
Increase (decrease) in accounts payable and accrued expense	2,103
Increase (decrease) in deferred revenues	<u>17,040</u>
Total Adjustments	<u>360,513</u>
Net cash provided by operating activities	<u><u>\$ 862,493</u></u>

The accompanying notes are an integral part of these financial statements.

City of Celina, Texas
Notes to Financial Statements
September 30, 2010

1. Introduction and Summary of Significant Accounting Policies

The financial statements of the City of Celina, Texas and its component units, Celina Economic Development Corporation and Celina Community Development Corporation, collectively identified as the "City" have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending September 30, 2010.

(A) Reporting Entity and Related Organizations

The City is a municipal corporation governed by an elected mayor and six member City Council. The City provides general administration, public works, police and judicial, and fire and emergency services to its residents. The Council hires a City Manager for day to day operations.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental "reporting entity" as defined in Section 2100, codification of Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statements No. 14 and 39. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on this criteria, the City has the following component units at September 30, 2010:

Discretely Presented Component Units:

Celina Economic Development Corporation (CEDC) - CEDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CEDC board for cause. CEDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Celina, Texas.

2. Introduction and Summary of Significant Accounting Policies - continued

Celina Community Development Corporation (CCDC) - CCDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the CCDC board for cause. CCDC is a nonprofit corporation governed by Section 4B of the Texas Development Corporation Act of 1979 and organized for the public purpose of the promotion and development of industrial and manufacturing enterprises to promote and encourage employment and the public welfare of the City of Celina, Texas.

Neither CEDC nor CCDC prepare separate financial statements.

(B) Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns with composite columns for non-major funds.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

3. Introduction and Summary of Significant Accounting Policies - continued

The government-wide statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest which are reported as expenditures in the year due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for water and sewer sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

(D) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

Debt Service Fund - accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt. The City annually levies ad valorem taxes restricted for the retirement of general obligation bonds, capital leases, and interest. This fund reports all such ad valorem taxes collected.

3. Introduction and Summary of Significant Accounting Policies - continued

(D) Fund Types and Major Funds - continued

Proprietary Funds

The City reports the following major enterprise fund:

Water and Sewer Fund - accounts for the operating activities of the City's water and sewer utilities services.

(E) Assets, Liabilities and Net Assets or Equity

Cash and Investments

The City maintains cash and investment pools which are shared by the various governmental funds. In addition, non-pooled cash and investments are separately held and reflected in the respective individual funds. These pooled and non-pooled cash and investment pools are displayed on its respective balance sheet as "cash and cash equivalents" and "investment in TexPool."

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value.

Bank certificates of deposit are carried at cost which approximates fair value.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories and Prepaids

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaids are similarly reported in government-wide and fund financial statements.

4. Introduction and Summary of Significant Accounting Policies - continued

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if historical cost is not available, they are stated at estimated historical cost. These assets are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Road infrastructure	15 - 50
Water & sewer infrastructure & rights	20 - 40
Vehicles	5
Furniture, machinery, and equipment	5

The City has not capitalized any interest costs in the carrying value of capital assets.

Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specific purposes.

Compensated Absences

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave is paid upon termination of employment. Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment.

4. Introduction and Summary of Significant Accounting Policies - continued

Compensated absences are reported as accrued in the government-wide, proprietary and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. These are included in wages and benefits payable.

(F) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, public officials liability, and law enforcement professional liability coverage. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

(G) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager submits an annual budget to the City Council in accordance with the laws of the State of Texas and the city charter. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council. Revisions to the budget were made throughout the year.

2. **Stewardship, Compliance, and Accountability - continued**

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

3. **Deposits and Investments**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of City of Celina, Texas (primary government) and its component units, CEDC and CCDC, are fully insured or collateralized with securities held by the City or component unit, its agent, or by the pledging financial institution's trust department or agent in the name of the City or component unit, respectively.

Investments

During the year ended September 30, 2010 the City invested only in Texas Local Government Investment Pool ("TexPool"). TexPool, a public funds investment pool created by the Treasurer of the State of Texas acting by and through the Texas Treasury Safekeeping Trust Company, is empowered to invest funds and act as custodian of investments purchased with local investment funds. Authorized investments of TexPool include obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, certificates of deposit and repurchase agreements. At September 30, 2010, the carrying amount of City's investments in TexPool approximate its fair value. At September 30, 2010, the carrying amount and fair value of the City's investment in TexPool was \$2,051,034. TexPool is rated for credit risk as AAA.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Treasurer (in his absence the City Manager). Investing is performed in accordance with investment policies adopted by the City Council complying with state statutes. City investment policy and state statute generally permit the City to invest in FDIC insured or fully collateralized certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas, and obligations of agencies, counties, cities and other political subdivisions of Texas having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2010, the City did not own any types of securities other than those permitted by statute.

3. Deposits and Investments - continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs. In addition, investment maturities shall not exceed the following limits:

- Operating funds - 30 days
- Capital project funds - corresponding draw schedules
- Debt service funds - corresponding payment dates, not to exceed (6) six months
- Bond reserve funds - (5) five years

City policy states that volatile investment instruments shall be avoided and that nonmarketable instruments with maturities beyond one month shall not exceed 30 percent of the portfolio.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. City policy requires that the risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types to eliminate the risk of loss from over-concentration of assets in a specific issuer, or a specific class of securities.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The City's policy on safekeeping and custody requires that investments shall be secured through safekeeping agreements. All investment funds shall be placed directly with qualified financial institutions selected through the City's banking procurement process. All transactions shall be executed on a delivery versus payment basis.

4. Receivables, Uncollectible Accounts, and Deferred Revenue

Enterprise Fund Receivables, Uncollectible Accounts and Deferred Revenue

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The Enterprise Fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days. Following is the detail of the Enterprise Fund receivables and the related allowance for uncollectible accounts:

Accounts receivable, gross	\$463,337
Less: allowance for uncollectible accounts	(5,094)
Net accounts receivable	<u>\$458,243</u>

The City reports deferred revenue of \$121,300 for water and sewer impact fees that have been collected, but are awaiting expenditure for the designated purpose.

4. Receivables, Uncollectible Accounts, and Deferred Revenue - continued

Property Taxes Receivable, Deferred Revenue, and Property Tax Calendar

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real property located within the City. Appraised values are established by the Collin County Central Appraisal District at 100% of market value. As of January 1, 2009, all real property was assessed at a net taxable value of \$453,846,095.

The property tax rate for the year ended September 30, 2010 was .645 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

Maintenance and operations-General Fund	.5274
Debt Service Fund	<u>.1176</u>
Total tax rate	<u>.6450</u>

The property tax levy for the year ending September 30, 2010 was \$2,972,226. Collections of the current year property tax levy were \$2,943,134 or 99% of the current year tax levied.

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City with a 10% allowance for estimated uncollectible amounts regardless of when cash is received. Over time substantially all property taxes are collected.

The City's full year property tax calendar is as follows:

- October 1-Full year tax levy assessed for the current fiscal year-taxes are due and payable.
- January 1-Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.
- February 1-Penalty and interest charges begin to accrue on unpaid past due taxes.
- July 1-Taxes become delinquent and are subject to attorney fees incurred for collection

Allowance for Uncollectible Taxes

The City records an allowance for uncollectible property taxes in order to estimate the amount of taxes that will ultimately prove to be uncollectible. Management has determined that an allowance in the amount of ten percent (10%) of the property taxes receivable in each of the applicable fund types should be adequate to provide for uncollectible property taxes. No provisions are made for uncollectible sales tax receivables, or grants receivable as management estimates that these amounts will be fully collectible.

Fines and Court Costs Receivable and Related Allowances

In the governmental fund financial statements, fines and court costs are recognized as revenue on the cash basis.

4. Receivables, Uncollectible Accounts, and Deferred Revenue - continued

In the government-wide financial statements, the City records fines and court costs receivable net of amounts estimated to be uncollectible and net of any amounts that would be due to other governmental entities as a result of collection. Management has determined the estimate of uncollectible fines and court costs through an analysis of actual amounts collected subsequent to year end. Amounts due to other governmental entities have been determined based on distribution requirements of the State of Texas.

Grants Receivable

Grants receivable were collected within 60 days of the end of the fiscal year, accordingly, no allowance for uncollectible amounts has been recorded. These amounts are recorded similarly in both the governmental fund statements and the government-wide financial statements. Grant revenues are recorded as earned when eligibility requirements are met. Grant revenues received prior to meeting grant eligibility requirements are recorded as deferred revenue.

5. Capital Assets

The following table provides a summary of changes in capital assets, including assets recorded under capital leases:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 459,931	\$ -0-	\$ -0-	\$ 459,931
Construction in progress	<u>-0-</u>	<u>144,460</u>	<u>-0-</u>	<u>144,460</u>
Total capital assets not being depreciated	<u>459,931</u>	<u>144,460</u>	<u>-0-</u>	<u>604,391</u>
Other capital assets being depreciated:				
Buildings & Improvements	128,908			128,908
Parks	6,076,593			6,076,593
Road Infrastructure	11,069,312			11,069,312
Vehicles	854,794	266,904	317,454	804,244
Furniture & Equipment	<u>639,661</u>	<u>65,495</u>	<u></u>	<u>705,156</u>
Total capital assets	<u>19,229,199</u>	<u>476,859</u>	<u>(317,454)</u>	<u>9,388,604</u>
Total accumulated depreciation	<u>3,644,101</u>	<u>565,804</u>	<u>245,059</u>	<u>3,964,846</u>
Governmental Activities				
Capital Assets, net	<u>\$ 15,585,098</u>	<u>\$ (88,945)</u>	<u>\$ (72,395)</u>	<u>\$15,423,758</u>

5. Capital Assets - continued

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Land and easements	\$ 154,114	\$	\$	\$ 154,114
Construction in progress	<u>837,335</u>	<u>281,661</u>	<u>231,951</u>	<u>887,045</u>
Total capital assets not being depreciated	<u>991,449</u>	<u>281,661</u>	<u>231,951</u>	<u>1,041,159</u>
Other capital assets being depreciated:				
Buildings	43,769			43,769
Water & sewer infrastructure	17,234,585	231,951		17,466,536
Vehicles	116,689			116,689
Equipment	<u>324,268</u>			<u>324,268</u>
Total capital assets	<u>18,710,760</u>	<u>513,612</u>	<u>231,951</u>	<u>18,992,421</u>
Less: accumulated depreciation	<u>4,214,824</u>	<u>533,063</u>	<u>-0-</u>	<u>4,747,887</u>
Business-type Activities				
Capital Assets, net	<u>\$ 14,495,936</u>	<u>\$ (19,451)</u>	<u>\$ 231,951</u>	<u>\$14,244,534</u>

Depreciation expense for governmental activities was charged to functions of the City as follows:

Administration	\$ 13,415
Fire and emergency services	80,754
Road infrastructure	208,373
Public works	4,568
Parks	188,111
Police department	<u>70,584</u>
Total	<u>\$ 568,805</u>

Depreciation expense recorded in business-type activities and the Enterprise Fund was \$533,064.

The gross amount of assets included in the equipment category above which were recorded under capital lease obligations is \$568,733. Accumulated amortization of these assets is \$241,660. Amortization expense is included in depreciation expense.

6. Long-Term Obligations

Long-term Obligations Supporting Governmental Activities

Certificates of obligation bonds issued by the City are backed by the full faith and credit of the City. These bonds are to be repaid with property taxes levied for debt service and recorded in the Debt Service Fund. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level. Other debt issued to support governmental activities are capital lease obligations which are primarily paid from the General Fund.

Interest expense for governmental activities was \$336,386 and is reported as a separate line item in the statement of activities.

Business-type Activities - Revenue Bonds

Revenue bonds consist of debt issued to support activities of the Enterprise (water and sewer) Fund. In addition to being backed by the full faith and credit of the City, revenue bonds are secured by a lien on and a pledge of the surplus revenues of the water and sewer system. Other debt issued to support business-type activities are capital lease obligations which are secured by the equipment purchased with the capital lease proceeds.

Interest expense for business-type activities and the Enterprise (water and sewer) Fund was \$566,614 for the year.

The following page contains is a summary of changes in bonds payable and capital lease obligations for the year:

6. Long-Term Obligations - continued

Following is a summary of changes in bonds payable and capital lease obligations for the year:

	Balance 10/01/09	Issued	Retired	Balance 9/30/10	Due Within One Year
<i>Governmental Activities:</i>					
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 1998, 4.65%-6.0%, 2003-2018	\$ 30,000	\$	\$ 30,000	\$ -0-	\$ -0-
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2004, 4.625%-5.00%, 2004-2029	6,291,094		198,219	6,092,875	207,660
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2001, 5.25%-5.55%, 2003-2021	106,590			106,590	-0-
General Obligation Refunding Bonds Series 2007, 4.00%-4.25%, 2008-2021	819,717		23,579	796,138	49,932
Capital lease obligations for equipment	<u>199,454</u>	<u>174,797</u>	<u>111,830</u>	<u>262,421</u>	<u>106,352</u>
Total Governmental Activities	<u>\$ 7,446,855</u>	<u>\$ 174,797</u>	<u>\$ 363,628</u>	<u>\$ 7,258,024</u>	<u>\$ 363,944</u>
<i>Business-type Activities:</i>					
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 1998, 4.65%-6.0%, 2003-2018	\$ 60,000	\$	\$ 60,000	\$ -0-	\$ -0-
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2001, 5.25%-5.55%, 2003-2021	233,410			233,41	-0-
Tax and Waterworks and Sewer System Revenue Refunding bonds Series 2001, 4.625%-5.25%, 2003-2015	185,000		65,000	120,000	70,000
Tax and Waterworks and Sewer System Revenue Certificates of Obligation Series 2003, 3.0%-4.50%, 2003-2023	4,630,000		255,000	4,375,000	265,000
Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2004, 4.625 %-5.00%, 2004-2029	373,907		11,781	362,126	12,340
General Obligation Refunding Bonds Series 2007, 4.00%-4.25%, 2008-2021	2,135,288		61,421	2,073,867	130,068
Tax & Waterworks and Sewer System Surplus Revenue Certificates of Obligation Series 2007, 2.60%-3.60%, 2009-2028	<u>4,320,000</u>	<u>-0-</u>	<u>2,485,000</u>	<u>1,835,000</u>	<u>175,000</u>
Total Business-type Activities	<u>\$11,937,605</u>	<u>\$ -0-</u>	<u>\$ 2,938,202</u>	<u>\$ 8,999,403</u>	<u>\$ 652,408</u>
Total Primary Government Long-term Debt	<u>\$19,384,460</u>	<u>\$ 174,797</u>	<u>\$ 3,301,830</u>	<u>\$16,257,427</u>	<u>\$1,016,352</u>

6. Long-Term Obligations - continued

The City's general obligation bonds are guaranteed by the full faith and credit of the City. The bond issues are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. Current requirements for principal and interest of these obligations are accounted for in the Debt Service Fund.

Capital lease agreements represent general obligations of the City, and are secured by the various equipment acquired by the capital lease proceeds. Current requirements for principal and interest of capital lease obligations are accounted for in the appropriate fund for which the liability was incurred.

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonded debt and capital lease obligations are as follows at year-end:

Fiscal Year Ending September 30,	<i>Governmental Activities</i>					
	Bonds Payable		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 257,592	\$ 315,008	\$ 106,352	\$ 11,746	\$ 363,944	\$ 326,754
2012	285,062	302,503	111,212	6,887	396,274	309,390
2013	301,995	288,760	44,857	1,803	346,852	290,563
2014	315,595	274,191			315,595	274,191
2015	334,275	258,973			334,275	258,973
2016-2020	1,924,782	1,055,563			1,924,782	1,055,563
2021-2025	1,853,722	644,594			1,853,722	644,594
2026-2029	1,722,580	203,997			1,722,580	203,997
Totals	<u>\$ 6,995,603</u>	<u>\$ 3,343,589</u>	<u>\$ 262,421</u>	<u>\$ 20,436</u>	<u>\$ 7,258,024</u>	<u>\$ 3,364,025</u>

Fiscal Year Ending September 30,	<i>Business-type Activities</i>					
	Bonds Payable		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 652,408	\$ 353,438	\$	\$	\$ 652,408	\$ 353,438
2012	659,938	330,299			659,938	330,299
2013	688,005	306,895			688,005	306,895
2014	709,405	281,934			709,405	281,934
2015	725,725	255,662			725,725	255,662
2016-2020	3,940,218	836,631			3,940,218	836,631
2021-2025	1,521,277	157,844			1,521,277	157,844
2026-2029	102,427	11,991			102,427	11,991
Totals	<u>\$ 8,999,403</u>	<u>\$ 2,534,694</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,999,403</u>	<u>\$ 2,534,694</u>

6. Long-Term Obligations - continued

In addition to the bonds and capital leases above, the City also has the following long-term obligations:

	<u>Balance</u> <u>10/01/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>9/30/10</u>	<u>Due Within</u> <u>One Year</u>
<i>Governmental Activities:</i>					
Compensated absences	\$ 86,476	\$ 7,917	\$ -0-	\$ 94,393	\$ 94,393

It is anticipated that the liability for compensated absences described above will be paid from the General Fund when due.

	<u>Balance</u> <u>10/01/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>9/30/10</u>	<u>Due Within</u> <u>One Year</u>
<i>Business-type Activities:</i>					
Obligation due to Celina ISD	\$ 1,081,256	\$	\$ 79,631	\$ 1,001,625	\$ 91,198

The obligation due to Celina ISD is a result of the school district funding the cost for the installation of a new water line that provides service to school facilities. The obligation is non interest bearing, however, the City has discounted the debt to estimated present value using the assumption of a 3% annual interest rate. The agreement with Celina ISD is that the City will not bill the school for water use until such time as the cumulative billings are equal to the cost of installing the water line. At the current rate of water use by Celina ISD, City management estimates approximately \$120,000 of gross billings for annual water use will be credited to this obligation over each of the next ten years.

7. Defeased Debt

During a prior year, the City issued refunding bonds of \$3,120,000 (par value) with interest rates ranging from 4.0% to 4.25% to advance refund term bonds with interest rates ranging from 4.7% to 5.9%, and a par value of \$2,955,000. The net proceeds from the issuance of the refunding bonds was used to purchase U. S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments as the term bonds mature. The advance refunding met the requirements for an in-substance debt defeasance and the term bonds were removed from the City's government-wide financial statements. At September 30, 2010 \$2,375,500 of defeased bonds were outstanding.

8. Retirement Plan

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

8. Retirement Plan - continued

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation (asset) and three year trend information for the City are as follows:

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions Made	Net Pension Obligation
09/30/08	\$ 116,967	\$116,967	-0-
09/30/09	\$ 114,291	\$114,291	-0-
09/30/10	\$ 110,371	\$110,371	-0-

8. Retirement Plan - continued

Annual Pension Cost

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009 also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method - Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	25 years closed period	24 years closed period	28 years closed period
Amortization period for New Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	Amortized cost	Amortized cost	Amortized cost
Actuarial assumptions:			
Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-Living adjustments	0.0%	0.0%	0.0%

The funding status as of December 31, 2009, the most recent actuarial valuation date, and the schedule of funding progress for each of the last three years follows:

Analysis of Funding Progress (in Thousands of Dollars)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded (Over-funded) Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/07	\$1,125	\$1,092	(33)	103%	\$1,436	(2.3)%
12/31/08	\$1,418	\$1,385	(33)	102%	\$1,821	(1.8)%
12/31/09	\$1,658	\$1,709	51	97%	\$2,147	2.4%

9. Litigation

From time to time, the City is involved in litigation in the ordinary course of business. City management considers the likelihood of any material liability resulting from this litigation to be remote.

10. Contingencies

The City participates in various state and federal grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. Audits of these programs for the year ended September 30, 2010 have not been conducted. Accordingly, the City's compliance with applicable grant and contract requirements will be established at some future date. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

11. Balances and Transfers/Payments Within the Reporting Entity

Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

The following schedule reports receivables and payables within the reporting entity at year-end:

	<u>Receivable</u>	<u>Payable</u>
Debt Service Fund	\$	\$20,278
Enterprise Fund	20,278	400,000
General Fund	425,533	
Component units		25,533

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within governmental activities.

The following schedule reports transfers and payments within the reporting entity:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$325,000	\$
Enterprise Fund		325,000

The above transfer provided the General Fund with supplementary revenue for the year.

12. Service Area Acquisition

The City has entered into an agreement with Marilee Special Utility District formerly known as Gunter Rural Water Supply Corporation (GRWSC) whereby the City would acquire the rights to provide water and/or sewer services to certain areas within GRWSC jurisdiction. The City compensates GRWSC for the right to provide these services. The City capitalizes the cost of acquiring these rights and amortizes these costs over a period of 40 years. These costs are included in the cost of water and sewer infrastructure on the statements of net assets.

13. Operating Lease

The City has entered into a ten year operating lease agreement for administration offices and a senior center. Terms of the lease agreement call for monthly payments of \$10,154 beginning on October 1, 2008 and continuing through September 30, 2013. Beginning October 1, 2013 and continuing through September 30, 2018 the monthly rental payments are \$11,541. Following is a summary of the annual minimum lease requirements under this agreement:

<u>Year ending 9/30</u>	<u>Annual lease requirement</u>
2011	\$ 121,848
2012	121,848
2013	121,848
2014	138,492
2015	138,492
2016	138,492
2017	138,492
2018	<u>138,492</u>
Total required	<u>\$1,058,004</u>

Building rental expense for the year ending September 30, 2010 was \$133,848.

14. Economic Dependence

City operations are funded by taxes and revenues provided by the residents of the City of Celina, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Celina, Texas and the surrounding area.

15. Subsequent Events

Management has considered the need to disclose subsequent events as of March 2, 2011 which is the date the financial statements were available for review. No events have occurred through that date that would require additional disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CELINA, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Ad valorem taxes	\$ 2,530,414	\$ 2,423,934	\$ 2,466,194	\$ 42,260
Franchise taxes	205,000	250,948	253,500	2,552
Sales tax	260,000	260,630	271,670	11,040
Permits and inspection fees	87,500	150,864	172,173	21,309
Development fees	35,000	36,627	45,894	9,267
Fire department and EMS revenues	250,000	163,967	180,203	16,236
Fines	86,780	92,335	93,867	1,532
Other income	13,750	48,055	40,999	(7,056)
Collin County road contribution			144,460	144,460
Donations	128,905	114,195	134,565	20,370
Park fees	17,000	25,000	14,471	(10,529)
Interest	20,000	15,306	24,786	9,480
Federal and state grants	117,000	172,689	149,284	(23,405)
Total Revenues	3,751,349	3,754,550	3,992,066	237,516
EXPENDITURES:				
Administration	914,113	856,210	880,101	(23,891)
Judicial	76,712	70,120	70,102	18
Fire and emergency services	977,041	1,045,657	1,049,716	(4,059)
Development services	326,984	338,161	329,794	8,367
Public works	412,870	408,041	392,527	15,514
Police department	936,938	927,118	865,304	61,814
Parks and recreation	241,762	233,018	222,959	10,059
Library	127,358	125,980	129,637	(3,657)
Main street project	57,697	62,148	60,868	1,280
Capital outlay			474,465	(474,465)
Total Expenditures	4,071,475	4,066,453	4,475,473	(409,020)
Excess (deficiency) of revenues over (under) expenditures	(320,126)	(311,903)	(483,407)	(171,504)
OTHER FINANCING SOURCES (USES):				
Issuance of capital leases			174,797	174,797
Proceeds from sale of assets		73,589	73,283	(306)
Operating transfers in (out)	325,000	325,000	325,000	-
Total Other Financing Sources (Uses)	325,000	398,589	573,080	174,491
Net change in fund balance	4,874	86,686	89,673	2,987
Fund balance, October 1	775,120	775,120	775,120	775,120
Fund balance, September 30	\$ 779,994	\$ 861,806	\$ 864,793	\$ 2,987

SCHEDULE NOTES:

General Fund Expenditures exceeded budgeted amounts for the year.

The City does not budget for capital expenditures provided by capital leases and capital grants.

The accompanying notes are an integral part of these financial statements

CITY OF CELINA, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
Year Ended September 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Ad valorem taxes	\$ 480,455	\$ 480,455	\$ 549,313	\$ 68,858
EDC contributions	165,000	165,000	165,000	-
Interest	-	-	4,704	4,704
Total Revenues	645,455	645,455	719,017	73,562
EXPENDITURES:				
Debt service:				
Principal	251,798	251,798	251,798	-
Interest and fiscal charges	331,881	331,881	331,881	-
Total Expenditures	583,679	583,679	583,679	-
Excess (deficiency) of revenues over (under) expenditures	61,776	61,776	135,338	73,562
OTHER FINANCING SOURCES (USES):				
None				-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balance	61,776	61,776	135,338	73,562
Fund balance, October 1	458,260	458,260	458,260	-
Fund balance, September 30	\$ 520,036	\$ 520,036	\$ 593,598	\$ 73,562

The accompanying notes are an integral part of these financial statements.

SUPPLEMENTARY SCHEDULES

CITY OF CELINA, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED SEPTEMBER 30, 2010 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Outstanding Balance
2009	2010	41,233
2008	2009	12,929
2007	2008	4,377
2006	2007	4,032
2005	2006	3,433
2004	2005	1,310
2003	2004	731
2002	2003	989
2001	2002	360
2000	2001	487
1999	2000	377
1998	1999	297
	1997 and prior	<u>2,022</u>
	Allowance for uncollectible tax	<u>(7,258)</u>
	Delinquent tax receivable, net	<u><u>65,319</u></u>

CITY OF CELINA, TEXAS
HISTORICAL SCHEDULE OF ASSESSED PROPERTY VALUATION
YEAR ENDED SEPTEMBER 30, 2010 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Net Taxable Valuation
2009	2010	453,846,095
2008	2009	463,330,201
2007	2008	418,824,688
2006	2007	284,847,298
2005	2006	224,412,066
2004	2005	181,232,497
2003	2004	143,297,951
2002	2003	114,032,871
2001	2002	87,884,199
2000	2001	74,397,227

CITY OF CELINA, TEXAS
HISTORICAL SCHEDULE OF PROPERTY TAX RATES
YEAR ENDED SEPTEMBER 30, 2010 (Unaudited)

Tax Roll Year	Fiscal Year Ended September 30	Tax Rates
2009	2010	0.6450
2008	2009	0.6450
2007	2008	0.6550
2006	2007	0.6900
2005	2006	0.7400
2004	2005	0.7500
2003	2004	0.7600
2002	2003	0.8066
2001	2002	0.8066
2000	2001	0.8066

CITY OF CELINA, TEXAS
Additional Information (Unaudited)
September 30, 2010

<u>Name</u>	<u>Title</u>	<u>Date First Elected to Council</u>	<u>Current Term Expires</u>
Jim Lewis	Mayor	2008	2011
Sean Terry	Mayor Pro Tem	2008	2013
Larry Berg	Council Member	2011	2013
Dewey E. Isham, Jr.	Council Member	2009	2012
Wayne Nabors	Council Member	2007	2012
Dick Smith	Council Member	2008	2011
Bill Webber	Council Member	2010	2011

City Manager
Jason Gray

City Secretary
Vicki Faulkner

Water Operator
Felix Matos

- Class Certificate: C
- Date of Last Chemical Analysis of Water: March 26, 2010
- Number of Residential/Commercial Water Users with one inch meters: Approximately 329
- Number of Residential/Commercial Water Users with 3/4 inch meters: Approximately 2,063
- Number of Commercial Water Users with larger than one inch meters: Approximately 52
- Number of Residential/Commercial Sewer Users with 4 inch meters: Approximately 10
- Number of Commercial Sewers with larger than one inch meters: Approximately 22

CITY OF CELINA, TEXAS
Additional Information (Unaudited)
September 30, 2010

RESIDENTIAL/COMMERCIAL

<u>Water Rates</u>		Effective
<u>Residential</u>	<u>9/1/2009</u>	<u>April, 2010</u>
0 - 2,000 gallons (Minimum):	\$12.60	\$20.00
5/8 and 3/4 inch meter	\$12.60	\$35.00
1 inch meter	\$12.60	\$112.00
2,001 to 10,000 gallons	\$4.75	\$4.46 per 1,000 gal
10,001 to 20,000 gallons	\$4.75/\$6.75	\$6.69 per 1,000 gal
20,001 to 30,000 gal	\$6.75	\$7.81 per 1,000 gal
30,001 and above gallons	\$6.75	\$11.15 per 1,000 gal
<u>Commercial</u>		
0 - 2,000 gallons (Minimum):		
5/8 and 3/4 inch meter	\$14.60	\$25.00
1 inch meter	\$14.60	\$43.75
2 inch meter	\$14.60	\$140.00
3 inch meter	\$14.60	\$210.00
4 inch meter	\$14.60	\$350.00
2,001 to 10,000 gallons	\$4.75	\$4.46 per 1,000 gal
10,001 to 20,000 gallons	\$4.75	\$6.69 per 1,000 gal
20,001 to 30,000 gal	\$4.75	\$7.81 per 1,000 gal
30,001 and above gallons	\$4.75/\$6.75	\$11.15 per 1,000 gal
<u>Sewer Rates</u>		
<u>Residential</u>		
0-2,000 gal (Minimum):		
5/8 and 3/4 inch meter	\$13.75	\$20.00
1 or 2 inch meter	\$13.75	\$37.50
2,001 to 14,000 gal	\$3.00	\$5.57 per 1,000 gal
Usage fees cap at 14,000 gal	\$51.10 Max	\$86.84 Max
<u>Commercial</u>		
0-2,000 gal (Minimum):		
5/8 and 3/4 inch meter	\$13.75	\$25.00
1 inch meter	\$13.75	\$46.88
2 inch meter	\$13.75	\$180.00
4 inch meter	\$13.75	\$375.00
2,001 and above gal	\$3.30/\$6.50	\$5.57 per 1,000 gal